

## Message Text

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PAGE 01 ABU DH 00254 231201Z  
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-08 FRB-01  
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02  
CIEP-02 LAB-04 SIL-01 OMB-01 /079 W  
-----231206Z 015861 /12

R 231102Z JAN 77  
FM AMEMBASSY ABU DHABI  
TO SECSTATE WASHDC 5511  
USDOC WASHDC  
INFO AMEMBASSY ATHENS  
AMEMBASSY ALGIERS  
USINT BAGHDAD  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMCONSUL DHAHRAN  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY RABAT  
AMEMBASSY TRIPOLI  
AMEMBASSY TUNIS

UNCLAS ABU DHABI 0254

E.O. 11652: NA  
TAGS: EALR, ETRD, ECON, TC  
SUBJ: CURRENT UAE BUSINESS SCENE - JANUARY 1977

REF: JIDDA 0435

SUMMARY: UAE BUSINESS ACTIVITY CONTINUES TO CLIMB. US  
INVOLVEMENT IS LESS NOVEL AND THUS LOWER PROFILE.  
RECENT LEGISLATION INDUCED HESITATIONS OF US FIRMS  
MAY ALSO FIGURE IN LOWER PROFILE. END SUMMARY.  
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1. WE DO NOT DETECT A LULL IN UAE BUSINESS ACTIVITY.  
ALTHOUGH CLEARLY THE PERIOD OF VERTIGINOUS ACCELERATION  
HAS PASSED, A PROJECTED ONE BILLION DOLLARS OR MORE INCREASE  
IN OIL REVENUE (DUE PRIMARILY TO CONTINUED GROWTH IN  
OIL PRODUCTION) WILL ADD FUEL TO THE ALREADY HIGHLY  
STIMULATED, ALTHOUGH POORLY ORGANIZED, BUSINESS SCENE.

THE BOOM CONTINUES IN REAL ESTATE; LABOR SUPPLY IS SHORT; THE POPULATION IS RAPIDLY EXPANDING. BUSINESSMEN CONTINUE TO BE VERY OPTIMISTIC. ALTHOUGH WESTERN BANKERS ARE BECOMING MORE CAUTIOUS ON REAL ESTATE INVOLVEMENT, OTHER SOURCES OF FINANCE ARE AMPLE AND BANKS DO NOT ASK HARD QUESTIONS ABOUT HOW LOANS WILL BE REPAYED. IT IS STILL EXPECTED THAT EVERYONE IS GOING TO BE RICHER TOMORROW THAN HE IS TODAY.

2. WHILE UAE BUSINESS EXPANSION CONTINUES, WE DO NOTE A SLIGHT DECLINE IN THE NUMBER OF NON-PETRO-SECTOR US BUSINESS VISITORS TO THE EMBASSY THIS YEAR. WE SEE FEWER NEW-TO-MARKET BUSINESSMEN SINCE THAT PARTICULAR TIDAL WAVE STRUCK LAST YEAR AND BUSINESSMEN ON SUBSEQUENT VISITS HAVE LESS NEED OF EMBASSY INVOLVEMENT BECAUSE OF ALREADY EXISTING CONTACTS. SOME BUSINESSMEN MAY HAVE BECOME DISCOURAGED AS MAJOR PROJECTS HAVE BEEN POSTPONED (VERY FEW HAVE BEEN CANCELLED) DUE TO UAE INABILITY TO MANAGE AND ORGANIZE THEIR SUDDEN SPURT INTO THE MODERN WORLD. AN ADDITIONAL FACTOR IS NEW TAX LEGISLATION AFFECTING AMERICANS WORKING ABROAD WHICH HAS EFFECTIVELY INCREASED US STAFFED FIRMS' COST OF DOING BUSINESS IN EMIRATES. THE LAST BUT FAR FROM LEAST REASON IS US BUSINESS UNCERTAINTY ABOUT THE PLUSES AND MINUSES OF DOING BUSINESS IN A COUNTRY WHICH ENFORCES THE ARAB BOYCOTT OF ISRAEL. THIS HAS BEEN PARTICULARLY NOTICEABLE AMONG LARGE PROJECT DESIGNERS AND CONSTRUCTORS, WHOSE TALENTS ARE MOST IN DEMAND HERE. FEAR OF POSSIBLE LOSS

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OF BID AND PERFORMANCE BONDS, INITIAL HEAVY BID PREPARATION COSTS, AND LEGAL PROBLEMS COUPLED WITH NEGATIVE REACTION IN THE US MARKET ALL ARE WORKING TO DISCOURAGE THIS TYPE OF US FIRM FROM BIDDING AND EVEN FROM EXPLORING THE POSSIBILITIES HERE.

DICKMAN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, BUSINESS FIRMS  
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**Executive Order:** N/A  
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**Review Markings:**  
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